

# Educational Loan Notes

## Monthly Newsletter



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February 2009

### MGA'S FEATURED FINANCIAL AID PROFESSIONAL

*A student's educational life on campus is not unlike a large portrait – painted by different artists through separate actions in different offices. The “one thing” we do on campus is to help each student build a part of his life. To help us understand his portrait, we might do well to have it in one place to allow him to see what the final work will look like.*

**Mark Beins**, Financial Aid Technician at Alpena Community College, discovered that the challenges in financial aid consist of timing and thoroughness. Ongoing learning must take place along with designing and producing the mechanisms and procedures necessary for students to align resources to help achieve their goals. Mark started out in the educational arena teaching at the primary and secondary levels. In order to attend the graduate program at Wayne State University, Mark applied for a position in the financial aid department and was hired. He appeared to be someone who could keep his head above water or at least tread, which is a daily requirement in a financial aid department. When Mark later moved to Alpena, he was lucky enough to meet the good people there and applied for the financial aid position which had just become available.

The rewarding aspects of the job come from two different domains. A financial aid professional sometimes has the opportunity to be creative. In creating a good work of art, there are choices to be considered – what kind of paint or pencil, what paper, what to do at what stage, etc. Financial aid has many choices also – what state and federal grants and loans are appropriate, what institutional money is available and when, would a student benefit from a walk through the offices to allow him to feel comfortable with a new situation, how about arranging an introduction to a department head who can help, etc. A student, like finished artwork, is comprised of many facets to be treated with care and thought. It is the combination of things that work to help a student become part of the college family. The second domain is the technical – finding a better way to deal with the monetary aspects of the job.

To be effective in financial aid, you need to be able to draw on valuable resources. Mark had a great asset to call upon in the person who was there at the beginning of his career and set the tone and has been there throughout – *Judy Florian*. An absolute professional, she shares her knowledge and wisdom easily, and radiates confidence. In addition, other colleagues at institutions around the state speak the same language and understand the particulars of individual situations.

Mark is concerned that during a time of professed commitment to education on the part of federal and state agencies and players, the financial aid need analysis and delivery systems continue to remain burdensome and complicated. A financial aid office is about exceptions, and those exceptions can take the majority of the time and labor available. Here, in the trenches, where time must be taken, care must be given, and customized aid disbursed; unnecessarily cumbersome procedures affect the efficiency of the entire financial aid office.

Mark is proud of the assistance Alpena Community College offers students. The financial aid office joins with the Learning Center to provide exceptional personal service for students, not only in counseling and tutoring, but also helps with initial FAFSA and loan applications. Both offices

offer students the outside resources appropriate to the student's individual needs and maintain a personal relationship to more easily guide the students.

Alpena's financial aid partners – MGA and lenders – have been very helpful. Alpena uses Datatel along with Nteract which is a smooth system and can accommodate changes quickly. Reliability is essential. The transfer of data back into Datatel after guarantee is extremely easy and reporting is accurate. The timing of loan delivery to the student is aided by the swiftness of Nelnet servicing and MGA assistance. Mark relies on information from the [Michigan.gov/mistudentaid](http://Michigan.gov/mistudentaid) Web site; it is very comprehensive.

Mark would like to work on designing a system which would involve collaboration between the faculty, admissions, department chairs, registration, secondary schools, financial aid, counseling, office of campus scholarships, scholarship donors, transfer, cashier's and business offices, which would have the capability of allowing these entities to access and update a centrally located student information file and to co-produce the narrative of the student's campus career, updating in real time. He would like to develop a product which could provide a seamless pass through of student information and allow a student record to build throughout the student's college career and be housed in one place.

Mark is not ready to retire at this time. His work in the educational arena, along with owning several businesses, and also having worked in management in industry, working both the creative and financial parts of the businesses has given him a broader perspective. He thinks it would be rewarding and challenging to be on the faculty side of the college, offering an intensive package of personal instruction over a long period of time. However, if he were to retire, Mark would spend most of his best time in his studio – there are many drawings and paintings to accomplish.

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## **MARK YOUR CALENDAR FOR THE SPRING 2009 SCHOOL UPDATE WORKSHOPS**

MGA is gearing up for the Spring 2009 School Update Workshops. The workshops are scheduled for Tuesday, May 12, 2009, at Schoolcraft College in Livonia and Wednesday, May 13, 2009, at Kalamazoo Valley Community College.

These workshops offer an interactive format to provide you with the latest information to help you administer federal student loans. As always, there is no cost to your institution for attendance at MGA's workshops.

More detailed information will be included in the next issue of *Educational Loan Notes*. If you have questions or suggested topics to include in the workshops, please feel free to contact Jim Swisk at 1-800-642-5626, extension 37121, or via email at [swiskj@michigan.gov](mailto:swiskj@michigan.gov).

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## **FFELP SPECIAL ALLOWANCE RATES**

The U.S. Department of Education has issued a [memo](#) on FFELP special allowance rates for the period ending December 31, 2008. The memo describes a revised method for calculating the rate of three-month commercial paper. The revision addresses the collapse of the commercial paper market and the Federal Reserve's launch of the Commercial Paper Funding Facility. Using the revised calculation, the average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter is **2.58 percent**.

For loans for which the special allowance rate is calculated by using the average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending December 31, 2008, the average of the rates is **0.35 percent**.

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## **FY 2007 DRAFT COHORT DEFAULT RATES**

Fiscal Year (FY) 2007 draft cohort default rates were released to all eligible schools on February 9, 2009. All domestic schools receive their FY 2007 draft cohort default rate electronically via their SAIG mailbox. Foreign schools receive their notification package via the U.S. Postal Service. Foreign schools that have one or more borrowers in repayment will receive their Loan Record Detail Report (LRDR) as an encrypted Portable Document Format (PDF) file on a CD-ROM. Foreign schools that receive a CD-ROM will also receive a separate letter providing the password needed to decrypt the LRDR. Draft cohort default rates are for school information and review and are not made available to the public.

After the release of the draft cohort default rates, the U.S. Department of Education (ED) provides schools an opportunity to review the draft data and, if necessary, work with the data manager responsible for the loans to correct any errors. Schools have 45 days from the release of the draft rate to appeal their draft rate.

It is important for schools to correct inaccurate data through an incorrect data challenge for a number of reasons:

- A school will not have a second opportunity to submit an incorrect data challenge; in its review, the school needs to ensure that no discrepancies exist among its records, the information obtained from outside sources, and the Loan Record Detail Report (LRDR) for the draft cohort default rates.
- The loan information used to calculate the draft cohort default rate will be used to calculate the school's official cohort default rate; the school needs to ensure that this data is accurate because official cohort default rates may result in certain benefits for the school or sanctions against the school.
- An incorrect data challenge will preserve a school's right to submit an uncorrected data adjustment if the agreed upon changes are not reflected in the official cohort default rate.
- An incorrect data challenge will preserve a school's right to submit an erroneous data appeal on the basis of disputed data if the school is subject to sanction after the release of the official cohort default rates.

If it is determined that the draft cohort default rate data is inaccurate, and the data manager responsible for the inaccurate data agrees to make a change to the data, the school's official cohort default rate should reflect the change.

If you have questions regarding the draft cohort default rates, contact ED by emailing [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov), or calling the Portfolio Performance Division (formerly Default Prevention and Management) Hotline at (202) 377-4259. Dan Tryon with MGA's Audit and Program Review Section is also available to assist you if you have any questions. Please contact Dan at [tryond@michigan.gov](mailto:tryond@michigan.gov), or 1-800-642-5626, extension 34981.

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## **AVAILABILITY OF ELECTRONIC COHORT DEFAULT RATE APPEALS PROCESS (ECDR APPEALS)**

On February 9, 2009, ED posted an Electronic Announcement with the subject of the Availability of Electronic Cohort Default Rate Appeals Process (eCDR Appeals) Release 2.1. Below is the text of the announcement.

We are pleased to announce the availability of Release 2.1 of the Electronic Cohort Default Rate Appeals process (eCDR Appeals) for the FY 2007 draft season. As the community is aware, in February 2008 we provided schools with the opportunity to submit and process cohort default rate challenges during the FY 2006 draft season via eCDR Appeals, a Web-based application. With Release 2.1, schools will again be able to submit their Incorrect Data Challenges (IDC) electronically. In addition, we have enhanced eCDR Appeals to improve performance and usability.

The eCDR Appeals application facilitates the exchange of information between parties for three of the challenge/adjustment processes. These processes are the IDC during the draft cycle, and the Uncorrected Data Adjustment (UDA) and New Data Adjustment (NDA) during the official cycle.

The application allows schools to electronically submit these challenges and adjustment requests during a cohort default rate cycle and guaranty agency, Direct Loan Servicing Center, and Federal Student Aid personnel to electronically view and respond to these challenges and adjustment requests. The application tracks the entire life cycle of each challenge/adjustment request from the time the case is submitted until the time a decision is made and the case is closed.

In an attachment to this announcement, we provide a summary of important features the eCDR Appeals application offers. This information will assist a school in determining whether it will choose to use eCDR Appeals to challenge its FY 2007 Draft Cohort Default Rate. As explained in [a February 9, 2009 Electronic Announcement on the Information for Financial Aid Professionals \(IFAP\) Web site](#), we distributed the FY 2007 Draft Cohort Default Rates to all eligible domestic and foreign schools on February 9, 2009.

While use of eCDR Appeals remains optional for schools at this time, we strongly encourage every school to participate in the electronic process. If a school submits its FY 2007 IDC electronically via eCDR Appeals, the school will be able to submit its UDA and/or NDA electronically during the FY 2007 official cycle. This offers important advantages as explained in question/answer #2 in the attachment.

**Note:** If a school submits its FY 2007 IDC via paper, it will not be able to submit an electronic UDA or NDA. The school will need to submit via the paper process for the entire FY 2007 cycle.

### **Contact Information**

If your school has questions about the eCDR Appeals application, contact us by emailing [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov) or by calling the Portfolio Performance Division (formerly Default Prevention and Management) Hotline at (202) 377-4259.

Attachments/Enclosures:

[eCDR Appeals System - Frequently Asked Questions in PDF Format, 273KB, 9 pages](#)

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### **CUSTOMER SERVICE INFORMATION FOR BORROWERS OF FFELP LOANS PURCHASED/SERVICED BY THE U.S. DEPARTMENT OF EDUCATION**

The Department of Education (ED) recently posted Electronic Announcement [2009-01-30](#). The announcement discloses contact information for borrowers of FFELP loans that have been sold to ED. Below is the text of the announcement.

As the financial aid community is aware, ED has implemented programs through which it purchases Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. When these purchases occur, ED becomes the owner and servicer of the loans. Both the prior FFEL loan holder and ED correspond with an affected borrower upon purchase of a loan.

In our correspondence to borrowers whose FFEL Program loans have been purchased by ED, we provide contact information for customer service related to ED's servicing of these loans. We understand that borrowers may ask others for this contact information and that schools may need our assistance as well. For these reasons, we provide customer service contact information for purchased FFEL Program loans in this announcement.

For Borrowers	1-800-508-1378
For Schools	1-866-938-4750
For Collections	1-866-938-4749

Additional information may be available at [www.ed-servicing.com](http://www.ed-servicing.com). MGA's Customer Service Unit may also be of assistance. Contact them at 1-800-642-5626, extension 77099, or via email at [help@mgaloan.com](mailto:help@mgaloan.com).

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### **MGA ACHIEVES A NEW BEST IN NSLDS REPORTING ACCURACY**

MGA'S National Student Loan Data System (NSLDS) unit recently achieved a new all-time high in Cumulative Loan Error Accuracy. The accomplishment of 99.97 percent accuracy reached in July and August 2008 was then improved upon again to 99.98 percent in September and October 2008. This bested the previous high of 99.96 percent accuracy first recorded in September 2007. MGA consistently and significantly exceeds industry averages for accuracy in NSLDS reporting, most recently reported as 99.44 percent in December 2008. Borrowers, schools, and lenders all benefit from this as it reduces the need to research discrepancies in loan information that can occur during the loan process resulting in a more smooth and efficient experience.

MGA has been able to accomplish this by being more proactive in our approach to pursue accuracy before discrepancies are reported to the database. Our NSLDS unit primarily researches errors from edit reports received from NSLDS on a monthly basis and contacts the appropriate lenders and schools to have them correct reporting and eliminate inconsistencies.

NSLDS is the national database of information on loans and grants awarded to students under Title IV of the Higher Education Act of 1965. NSLDS provides a central, integrated view of these loans and grants during the entire life of the loans. This includes aid approval, disbursement, repayment, delinquency, and closure.

Sources for the information include the Federal Family Education Loan Program (FFELP) for information on federal student loans, the Department of Education Debt Collection Services (DCS) for information on defaulted loans held by the Department of Education, the Federal Direct Loan Program (FDLP) for information on Federal Direct Student Loans, the Federal Pell Grant Program for Pell Grant information, the Central Processing System (CPS) for applicant information, and guaranty agencies, schools, and lenders for information on students, loans, and grants. Information is reported by these entities at least monthly and helps all parties identify and correct inconsistencies.

You may call the NSLDS Customer Service Center at 1-800-999-8219 Monday through Friday, 8:00 a.m. to 9:00 p.m. Eastern, or email them at [nslds@ed.gov](mailto:nslds@ed.gov). The NSLDS Web site is also available at [www.nslds.ed.gov](http://www.nslds.ed.gov). To reach MGA for questions regarding NSLDS, contact Customer Services at 1-800-MGA-LOAN, extension 77009.

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## MAPPING YOUR FUTURE FEATURED VOLUNTEER: PATTY HILL

Mapping Your Future (MYF) recently profiled MGA's Patty Hill for her volunteer work with the organization.

Pedagogy is the art or science of being a teacher. The word comes from the Greek language and means, literally, "to lead the child." This word can be used to describe Patty Hill, even though her professional title is not teacher. She never pursued a career in education, but Patty, as an analyst of the Outreach Services Unit of the Michigan Department of Treasury, Student Financial Services Bureau, applies her passion for educating youth, leading them toward higher education.



Patty Hill

This unit is charged with promoting college access in the state of Michigan. Patty worked for the Student Financial Services Bureau for a long time before the unit was developed. When she learned a position was available, she was quick to apply. More recently, when asked to volunteer for Mapping Your Future, she agreed. She currently serves on the early awareness team and on the Guide to Life after High School project team.

Patty and her colleagues are asked to attend financial aid nights and give financial aid presentations. Lately, Patty has spent the majority of her time in the classroom, teaching students about budgeting and financial literacy. She enjoys this part of her job the most, and students are very receptive to what she has to say: "I believe we give them something to think about and give them the hope that they can get a postsecondary education, go on to live very productive lives, and see their dreams come true."

Patty is inspired by others who have a similar passion for teaching young people that they can accomplish their dreams. She has met many people who are dedicated, and follows their examples.

In her spare time, Patty enjoys fly fishing with her husband, camping, gardening, glass art, and pottery. Her most valued time is that spent with her husband and three grown children.

Patty's commitment to education and youth is evident today, both in her work and volunteerism. The leadership and staff are pleased she continues to serve!

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## COMMON MANUAL UPDATES

At its January 15, 2009, meeting the *Common Manual* Governing Board approved the seven policy proposals from Batch 155 – Proposals 1072-1078. The approved policies may now be implemented based on their individual effective dates.

These changes will be incorporated into the Integrated *Common Manual*. The Integrated *Common Manual* is available on the *Common Manual* Web site at [www.commonmanual.org](http://www.commonmanual.org).

Following are the seven policy proposals:

- Eligible Lender – Eligible Financial Institutions
- New School as Lender Audit Requirement
- Credit Reporting Requirements
- Lenders of Last Resort
- Drug Conviction Notices



- Multiple School Enrollment
- Teacher Education Assistance for College and Higher Education (TEACH) Grants

If you have any questions about these *Common Manual* changes, please contact Susie Gibson at 1-800-642-5626, extension 56769 or [gibsons@michigan.gov](mailto:gibsons@michigan.gov).

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## **ED PIPELINE**

Follow the link below to access the most recent announcement for schools and lenders from the U.S. Department of Education (ED).

[Dear Partner  
February 2009  
ANN-09-01](#)

This letter announces Federal Student Aid's instructor-led, online training sessions on the HEOA.

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## **UPDATES TO MGA'S ACTIVE MICHIGAN SCHOOL LIST**

Information has been received from schools regarding recent changes that should be recorded by lenders on MGA's "Active Michigan School List" dated January 16, 2009. If you have any questions regarding these updates, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at [cardwells@michigan.gov](mailto:cardwells@michigan.gov).

### **Contact Information Updates**

#### **Albion College, Albion, 002235-00**

Ann Whitmer's telephone number is 517-629-0440.

#### **Chic University of Cosmetology, Grand Rapids, 008178-00**

Laura Massey's last name is now Robertson. Laura's new email address is [Larobertson@empire.edu](mailto:Larobertson@empire.edu).

#### **Davenport University**

Patricia Finerty's new telephone number is 616-732-1127. The new fax number is 616-732-1167 for the following Davenport University locations:

Flint, 002249-30  
Lansing, 002249-01  
Livonia, 002249-40  
Midland, 002249-42  
Saginaw, 002249-41  
Warren, 002249-31

#### **Rochester College, Rochester Hills, 002288-00**

Kara Miller's title is Financial Aid Director.

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## **"Q" & "A"**

### **PLUS Loan Repayment Plans Including the New Income-based Repayment Plan**

**What is the income-based repayment plan?**

The income-based repayment plan has a required monthly payment amount that will be based on a borrower's income during any period when the borrower has a partial financial hardship. The maximum repayment period under this plan may exceed ten years. Eligible borrowers who meet certain requirements over a specified period of time may qualify for cancellation of any outstanding balance on their loans.

**When does this repayment plan become effective?**

This plan becomes effective July 1, 2009.

**How many PLUS loan repayment plans are there? And what are they?**

There are a total of four repayment plans for PLUS loans. They are standard repayment plan, graduated repayment plan, extended repayment plan, and as listed above, income-based repayment plan.

The standard repayment plan requires fixed monthly payments, with full repayment within ten years. Payments must be at least \$50 a month and more if necessary to repay the loan(s) within the required time period.

The graduated repayment plan starts with lower monthly payments at first, with the payment size increasing over time. No single payment will be more than three times greater than any other payment.

The extended repayment plan allows for the monthly payments to be adjusted annually, based on the borrower's total monthly gross income from all sources. The borrower may contact the lender at any time for more information about this repayment plan option.

**Are there any limitations that affect the repayment plans?**

In order for the income-based, graduated, or extended repayment plans to be in effect for a loan, the borrower needs to notify the lender within 45 days which plan is the borrower's choice. Or in the income-based repayment plan, the borrower must provide the required documentation within the lender-specified time frame. If these requirements are not met, the lender will require the borrower to use the standard repayment plan. The borrower is allowed to change the payment plan once a year.

*Information in this article is from the instructions for completing the FFELP Federal PLUS Loan Application and Master Promissory Note and the Addendum to the Federal PLUS Loan Application and Master Promissory Note and Endorser Addendum.*

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